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Reconceptualising value: Defining, measuring and managing social value creation by business enterprises

Dissertation for the Master of Research Degree Programme

Vandana M. Tripathi

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Abstract

The current business practice with its emphasis on short-term profit detached from wider values has lost legitimacy. The aim of this research was to determine whether the behaviour of alternative business enterprises with social primary objectives could be explained in terms of neoclassical economic theory or if they could provide different models which could help to change business culture. In the supporting literature there is a lack of empirical evidence detailing practical examples of approaches taken by alternative enterprises which could be applied to mainstream business practice. To begin to fill that gap the current research used a qualitative case study approach within a critical realist framework to carry out an in-depth study of the operations strategies of five alternative enterprises to examine how they balance social objectives with sustainability; and to determine the degree to which the enterprises remain embedded within wider social values.

The findings of the research were based within detailed, context-sensitive analysis of the challenges met by the alternative enterprises, the approaches they used to surmount them and the degree to which market pressures forced compromise in the social objectives. The findings provide insights not just to academic commentators but also to social entrepreneurs so they can help build a vision of what is legitimate and possible.

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Abbreviations

CSR – Corporate Social Responsibility
CIC – Community Interest Company
ICA – International Co-operative Alliance

Chapter 1 – Aims and Objectives

1.0 Introduction

This chapter introduces the research by presenting the research rationale and background. It then identifies the aims, objectives and research questions.

1.1 Research Rationale and Background

There has been considerable academic debate questioning the nature of capitalism particularly in the light of the current global recession and economic uncertainty (Bendell et al., 2010; Posner, 2009). Rumelt (2009) has argued for a more responsible capitalism maintaining that firms should address long term perspectives rather than the current inevitable focus on short term profits. Consistent with Rumelt's argument, Barton (2011) emphasises that firms should pursue wider stakeholder interests and not just those of shareholders. Central to this debate has been the emergence of the view that the dominant capitalist model has lost legitimacy in the eyes of an increasing number of people for whom it seems to be detached from wider human, social and environmental values (Abdelal and Ruggie, 2009).

This loss of legitimacy risks damaging social cohesion within states. It is also likely to affect the relations between states as governments respond to political pressure from within to limit effects that are seen as illegitimate such as unemployment arising from the removal of import restrictions. Yet there is a more fundamental issue: '.....economics, as a subsystem of society, needs to be aligned to the innermost moral ... belief systems of a society' (Lucas, 2010, p.72).

As considered further in the literature review in Chapter 2, many sources (Drucker, 1955; Prahalad cited by Ciasullo and Troisi, 2013) have emphasised that economic activity is an inherent and deep part of society. Others have criticised the lack of wider social values

embedded in the concept of value creation in the dominant capitalist model (Porter and Kramer, 2011; Prahalad and Ramaswamy, 2004; Parolini, 1999) and have drawn attention to alternative value bases (Lessem and Schieffer, 2010).

1.2 Positioning the Research

Current literature discusses the issues identified above, but lacks examples of alternative practice that are sufficiently close to the realities of competitive business practice to impact on business culture. For change to occur, practical examples are needed of approaches which are seen to work in enterprises whose objectives are primarily social but which remain financially viable. This study has begun to fill that gap by examining a sample of such alternative enterprises to evaluate whether their long-term operation was significantly different from the conventional neoclassical model for firms whose primary objective is to maximise profit. The names of the enterprises have been changed in this dissertation in order to preserve anonymity.

A significant methodological question arose within this research as to how to empirically test for profit maximising behaviour (as opposed to behaviour in pursuit of social goals). Two issues make this difficult to do. Firstly, short-run profit maximisation can reduce profits in the long run; and it is almost impossible to test for long-run profit maximising behaviour as almost any observed behaviour could be consistent with this. Yet most conventional enterprises would say that long-run profit maximisation is their primary objective as they recognise the dangers of excessive emphasis on short-run profit maximisation. The second problem is that profit maximising and social value maximising behaviour are not necessarily mutually exclusive. Although an entrepreneur may be driven primarily by a social mission, this could result in profit maximisation as an outcome (ex post) because a large number of people buy into the social mission and so purchase the enterprise's products or services. So there may be a very profitable market out there for a firm pursuing a social mission. These two problems are important because the research

was seeking to evaluate whether the enterprises were behaving in a way consistent with long-term profit maximisation rather than pursuit of a social goal, so these problems need to be addressed in the research. A distinction needs to be made between the profit that was intended (the ex ante profit) and the actual outcome (the ex post profit). The problems mentioned above arise if consistency with long-run maximisation is tested in terms of the behaviour of the enterprises ex post rather than their intention (ex ante). In recognition of these issues, the research tested for behaviour consistent with ex ante profit maximisation. This occasionally involved a subjective evaluation of the enterprise's overall intent by balancing inconclusive evidence in different aspects of its behaviour.

Altering business practice sufficiently to restore legitimacy requires change in business culture. It is unrealistic to expect a single study to achieve that. This research therefore sought to provide insights to future social entrepreneurs, who could then build on the existing successful business strategies adopted by alternative enterprises in order to demonstrate that change is possible.

1.3 Aim

The aim of the research was to examine if the behaviour of existing alternative enterprises could be explained by the neoclassical theory which under-pins the dominant model of capitalism. The investigation sought to determine the ways in which the operations strategies of alternative enterprises differ from this model (if at all); the challenges faced by these enterprises and the approaches used to surmount the challenges.

1.4 Objectives

- i. To critically evaluate the limitations of the current capitalist model and whether there is a need to adopt an alternative business model.
- ii. To examine the nature and evolution of the alternative models with regard to value creation and serving stakeholders' interests.

- iii. To undertake in-depth case studies of organisations which have adopted various forms of alternatives to profit maximisation.
- iv. To provide future social entrepreneurs with greater understanding of the different approaches.
- v. To contribute to the body of academic literature on alternative business practice.

1.5 Research Questions

The overarching research question was:

1. Are the approaches used by alternative enterprises explained by neoclassical economic theory; and if not, do alternative enterprises provide models which could contribute to the re-grounding of business within society?

The following sub-questions were addressed in order to answer the main research question:

1.1. What assumptions are inherent in the neoclassical model and why has this led to the centrality of profit maximisation at the expense of wider human, social and environmental values?

1.2 What concepts and structures are likely to facilitate or impede the adoption of the changes needed to develop greater emphasis on the values missing from current business practice?

1.3 To what extent do alternative enterprises provide sustainable approaches which could be used to build the credibility of the case for re-grounding business practice within society?

1.6 Context of the Research

The research outlined here as part of the Master of Research programme was based on a limited sample of five case studies of alternative enterprises within the UK, with a view to piloting the methods to be employed in more extensive PhD research. It also provided

preliminary insights into values and operations strategies in alternative enterprises to help build the framework to be used for case selection and interview focus for the PhD research, which will also involve alternative enterprises in other parts of Europe and in South Asia.

1.7 Structure of the Dissertation

The dissertation consists of six chapters. This chapter has outlined the research background, aims and objectives. Chapter two reviews the literature to identify gaps in the understanding of the approaches needed to ground business practice in wider social values; chapter three focuses on research design and data collection techniques; chapter four presents an account of data collection and analysis; chapter five relates to analysis of individual cases; and finally chapter six provides an overall evaluation of the cases and presents the conclusion.

Chapter 2: Literature Review

2.0 Introduction

The literature relevant to this research concerns neoclassical and Buddhist economic theory; values within major world religions; and the origins and emergence of alternative enterprises.

2.1 Neoclassical Economic Theory and the Concept of Value

Neoclassical economists such as William Jevons rejected the labour theories of value that had been proposed by classical economists in favour of a subjective view of value based on the marginal utility to the consumer (Jevons, 1866). Several neoclassical economists such as Walras, Menger and Marshall concurred that value depended on the consumer's subjective evaluation of the utility of the product and the degree of satisfaction provided by its consumption (Menger and Marshall cited by Danner, 1981; Walras, 2010). These arguments would persuade us to locate value in terms of total marginal utility. Jevons (1866) argued that mathematical methods could then be used to analyse marginal utility, bringing to bear the powerful methods used by other sciences and creating general statements and quantitative laws that could allow analysis of economies. However, because of the failure of neoclassical economists to develop a cardinal measurement of utility, Vilfredo Pareto rejected the alliance of economic efficiency with equity and replaced it with concept of Pareto-Optimality – an economic state where the allocation of resources is most efficient when someone's utility cannot be increased without reducing the utility of someone else (Lefebvre and Vietorisz, 2007:143). Neoclassical economists claim that an economy will be technically efficient by producing outputs using least inputs and allocatively efficient if resources are allocated to produce goods and services which are in the form and quantity that consumers desire (Tian, 2009). They further hold that in perfect competition allocative and technical efficiency will be achieved by firms

maximising profit by setting output at a level where a product's marginal revenue and marginal cost are equal (Blaug, 1992). Neoclassical theorists accept that perfect competition is rarely possible, but contend that real market economies are fulfilling the requirements of 'workable competition', so are broadly achieving allocative and technical efficiency leading to the maximisation of utility and welfare for society (Maxfield, 2007).

Parallel to the theoretical developments of neoclassical economic literature there has also been growth in the literature of alternative approaches. Contrary to the assumptions inherent in neoclassical economics, old institutional economics as proposed by theorists such as Veblen, Mitchell and Commons gave emphasis to institutions such as value systems and norms, rather than individuals acting in self interest to maximise their utility (Veblen cited by Wilson, 2008; Rutherford, 2001). Sen (1982), Nobel prize winner and contributor to the welfare economics literature, challenges the belief that Pareto optimality delivers maximum social welfare and argues that an economy can be Pareto-optimal and yet lack equity. He argues that even if a system starts in a reasonably equitable manner, social choice is likely to move it to a distribution which is approximately Pareto efficient but is inequitable. Furthermore, Greenwald and Stiglitz (1986) challenge the assumption that economies are Pareto efficient in practice because of the distortions arising from imperfect information and incomplete markets, which result in welfare issues in real terms. Nelson (1994) argues that the centrality of market-based competition means that externalities, where an action such as pollution does not incur a cost for the actor, can result in considerable social and environmental damage. Friedman (1970) in his essay *'The social responsibility of business is to increase its profits'* mounted a spirited defence of the separation of business and equity, arguing that corporate executives who adopt socially responsible action are 'in effect imposing taxes' as they are spending someone else's money and acting against the interests of their employers. In contrast Mulligan's (1986) critique of Friedman argues that social responsibility can be integrated into business

management as part of the corporate mission and objectives. He further states that the widespread adoption of corporate social responsibility does not directly relate to the collapse of capitalism. However, debate continues over this complex problem with much of the discussion revolving round the appropriate balance between safeguarding shareholder interests and achieving equitable distribution for all stakeholders.

Fama and Jensen (1983) argue that the maximisation of shareholder returns became a priority as the capitalist model gave rise to an agency problem due to the separation of ownership and control. The agency theory literature rooted in the neoclassical perspective can validly be criticised for its emphasis on maximising shareholder value because shareholders are not the only participants in the business enterprise making investments in productive resources without a guaranteed return (Lazonick, 2011). Stakeholder theory seeks to remedy some of the deficiencies of agency theory as it emphasises the need to serve a broad set of stakeholder interests (Donaldson and Preston, 1995). Evan and Freeman (1988) assert that the success of the firm lies more in satisfying multiple stakeholder interests than in safeguarding the interests of the shareholder.

Drucker, argued that “society is not just the environment of the enterprise. Even the most private of business enterprises is an organ of society and serves a social function” (Drucker, 1955:375). He emphasised that economic activity is part of society. Prahalad et al. point out that it is no less deeply embedded today (Prahalad cited by Ciasullo and Troisi, 2013), affecting people’s ability to survive, their status and their sense of belonging to the society. Lessem and Schieffer (2010) have drawn attention to many value systems which could help reground business practice into society. Management academics such as Porter and Kramer (2011), Prahalad and Ramaswamy (2004) and Parolini (1999) have criticised the inadequacy of the current capitalist value-creation model, mainly due to its neglect of wider social value creation. However, existing literature lacks sufficient emphasis on practical approaches which are already working within a competitive business

environment and could be used to build credibility for integrating wider social values into business practice. Although there is a large volume of literature covering existing mainstream business practice, there is little by way of substantive and convincing examples of sustainable alternatives which could effect a change in attitudes.

2.1.1 Summary

The analytical power of neoclassical economic analysis can now be seen to have been constrained by the failure to develop a viable cardinal measure of marginal consumer utility, which had been adopted as the central basis of value in economic exchange. The consequent adoption of Pareto's restricted concept of economic efficiency into neoclassical theory, and hence the separation of efficiency from equity, has continued to shape economic thinking and (at least implicitly) business practice despite concerns about detachment from wider values in society. However to gain credibility in business circles that could influence attitudes and practice, further research is needed on approaches taken by alternative enterprises operating in competitive environments.

2.2 Further Issues with the Dominant Model

Keller (2007) argues that during the last hundred years many new ideas have developed in economic theory, yet the dominant model still derives many of its assumptions from neoclassicism, with the result that business theory has created a moral code for business efficiency so markets are seen as creating ethical outcomes and profit maximization has become the highest end.

In developed economies firms involved in profit maximisation under workable competition are believed to have been achieving allocative and technical efficiency, and so are assumed to be maximising 'social value'. However, the social value being referred to here is the utility arising from Pareto's definition of maximum efficiency. As Sen (1982) points out, maximising efficiency is a goal worth pursuing, but Pareto efficiency does not test whether

the new circumstances are more equitable or have higher costs in social and environmental terms. The inevitable emphasis on short-term profit maximisation, often used as a proxy for the calculation of the net present value of firms (which is central to the Shareholder Value model) is seen as having led to greater inequality of wealth, a dependence on excessive consumerism and environmental issues such as damaging and unsustainable exploitation of resources. The dominant capitalist model is now seen by many people to have lost touch with any moral core and to need to take on board wider social and economic values.

2.3 Concepts of Value from World Religions

The current dominant model with its emphasis on growth and its use of the utility of the purchaser as the fundamental definition of value led to a central role for continuing and expanding consumption. Carrette and King (2004) criticise the increased growth of consumerist behaviour displacing more solid values found in traditional religions (Bell, 1976) even turning spirituality into something to be bought. Gauthier et al. (2011) point out that changes are often seen as resulting from increased individualism and a decline in the role of formal religion in setting people's ethical and behavioural standards, but these changes may be better seen as influenced by the commodification and branding that has come with the advent of global communication through mass media and electronic social networking. In contrast, Mayer (2007) argues that capitalism does depend on maintaining production and consumption but it is simplistic to see it as causing the value changes, as is evidenced by the growth of different forms of religion such as the Christian Charismatic tendency, reflecting people's changing lifestyles and greater affluence but containing emphasis on work ethics and mutual support.

Literature on Buddhist economics (Schumacher, 2010) also challenges the emphasis in the dominant model of capitalism on compulsive consumption; central to Buddhism is the concept of moderation. Contrary to the assumptions inherent in neoclassical economics, for

Buddhist economics the purpose of economic activity is not just to provide goods and services to allow consumers to gratify their selfish desires, but also to facilitate and enhance human development (Lessem and Schieffer, 2010). Buddhist economics claims that economic activity should produce goods and services for people's needs and wellbeing in a full sense of human fulfilment, 'right consumption', rather than building attachment to compulsive consumption, which prevents long-term satisfaction (Alexandrin, 1993).

Support for this claim can be found in Islamic literature on business practices influenced by Sharia (Nicholas cited by Dsouli et. al., 2012), particularly the emphasis on the responsibility of businesses to promote sustainable value creation and benefit to all stakeholders. Competition is seen as acceptable provided it is to further excellence, improve society and to seek the pleasure of God (Kahf, 2003). Islamic business literature favours wealth creation over maximisation: "The need for the creation of capital takes precedence over the need for augmentation" (Udovitch, 1970:82).

Johnson (1957) argues that ideas stemming from thinking and discussions in Christian literature draw out aspects of doctrines which also provide a framework for business decisions and actions in modern capitalist society. He states that these doctrines do not provide precepts by which capitalist problems can be solved but 'a frame of reference' which if followed can result in harmonious relations within business practices (Johnson, 1957: 65).

Christian beliefs can be brought to bear on conduct in business in many different ways, such as safety standards arising from the belief in the unconditional value of life (Rossouw, 1994); the ideals of love and service to others (Calkins, 2000); the scriptural narratives on practicing good stewardship of money and resources (Kim et al, 2009); and indeed the concerns about the separation of current capitalism from wider social and environmental values.

Possamai (2000) contrasts traditional religions, where, at least formally, adherents accept their religion's ideological direction and often its ritual practices, with the individualised approach of New Age. While this central direction is still strong in some religions and states, it has weakened with the secularisation of states and greater access to alternatives, allowing people to choose the religion that they wish to follow (Berger, 1973). Luckman (1967) argues that this has led religions in turn to change their styles to keep their congregations. While these changes can be seen as echoing market dynamics, they are better considered as part of the development of 'de-institutionalised spirituality' coupled with new forms of community (Bowman, 2013:16).

Redden (2005) points out that it is with New Age that the market becomes literally involved: New Age networks are of producers and consumers. With the development of events such as psychic fairs, producers 'institutionalise the arrangements that allow for seekership roles to be played out' so 'the unique pathways of seekers are fashioned from multiple possibilities presented to them as consumers in a specific market environment' (Redden, 2005 : 236). Yet as Bowman illustrates 'suppliers are themselves frequently consumers.... It is not necessarily the case that they are exploitatively or impassively providing goods to and services for unknown clients' (Bowman, 2013: 19). Indeed it is Redden's view that 'a case could be made that much New Age commerce is value-driven' (Redden, 2005: 244).

2.3.1 Summary

Core values and the overall approach in a particular religion influence adherents of that religion. Buddhism challenges the emphasis in the dominant model of capitalism on compulsive consumption; Islam stresses that business practice cannot be separated from religious ethics. Christian beliefs have given individuals the drive to take on challenges to promote human welfare, while New Age participants seek unique paths to spiritual understanding in rejection of established institutions.

Yet ethics on the ground have to involve the interaction of religious and other values with the practice of what is possible and the influence of non-religious activities to which a person may attribute high value. Johnson (1957) points out that checking what business executives see as most valuable would reveal a variety of personal idols such as the economic system which has made them and their country better off. On the other hand Vaughan (1996) argues that values on the ground develop through normalisation, the disapproved deviance from existing norms becoming itself a new norm. Indeed re-grounding capitalism in wider social values is likely to be impeded by the degree to which the disregard for social and environmental values has become normalised within business culture, so that people challenging the legitimacy of current capitalism are seen as ridiculous and wrong-minded, as is illustrated by Rockwell (2002).

2.4 Alternative Enterprises

To distinguish between social enterprises and companies primarily engaged in profit maximisation, it is necessary to examine their business objectives. For simplicity the discussion so far has referred to profit-maximisation as if it were the sole objective of for-profit enterprises. The reality is more complex. In mainstream business the objectives of enterprises are determined by maximising the owner's utility rather than being based solely on financial concerns. Petty and Bygrave (1993) assert that specifying only the financial objective of owner-managers of small enterprises is an oversimplified statement and does not provide the real purpose of the enterprises. McMahon and Stanger (1995) also take this perspective and point out that the owner-managers of enterprises may have several forms of objective not so much to maximise wealth but to earn a livelihood, be their own boss, or be able to operate in personally satisfying ways.

In determining the primary purpose of an enterprise the weight given to each purpose needs to be taken into account and also whether the objective is one of the reasons for the company's continued existence, or whether, like environmental responsibility, it arises as a

consequence of its existence. The reason for currently existing may be different from the reason for creation as organisations change in response to markets or as the owners' view of mission alters with time and re-appraisal of what is possible.

Simons (2000) argues that the number of alternative enterprises has grown hugely in the last few decades, reflecting changes in the political-economic options for meeting social goals. Defourny and Develtere (1999) challenge this view and state that various forms of social economy have long existed in Britain, arguably for the last two thousand years. Polanyi (1957) concurs, arguing that alternative enterprises became more prominent in response to the poor economic conditions in the 19th century that were the underside of the industrial revolution.

Conaty and McGeehan (2000) endorse this view and state that many alternative organisations in this period were philanthropic or mutual organisations, which began to develop in the late 18th century, assisted by the passing of the Friendly Society Acts of 1757 and 1797. The ICA (2013) holds that the mid 19th century saw the growth of the co-operative movement of mutual organisations based on specific values shared across the movement, such as self-responsibility, democracy, equality, equity and solidarity.

Alternative organisations in Britain have a variety of legal structures, some as companies, some as Industrial and Provident Societies and since 2005 as Community Interest Companies of which over six thousand currently exist (Co-operatives UK, 2009, CIC Association, 2013). (See Appendix 1 for discussion on the forms of alternative enterprises.)

Doherty et al (2009) argue that although alternative enterprises have mushroomed in the last two decades the definition of the term remains contested. There are differences of emphasis among academics on the fundamental characteristics of alternative enterprises which can be applied across the multiplicity of organisations. Analysis of the existing literature on alternative enterprises suggests two main schools of thought.

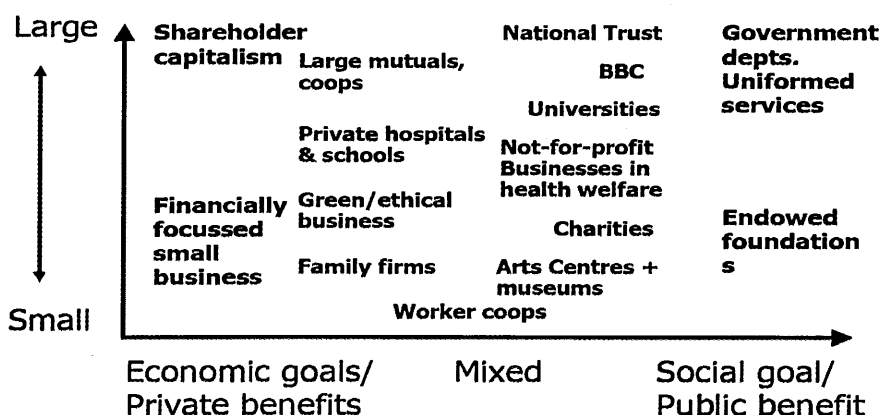
The first conceives of them as organisations whose core aim is to produce social benefit rather than having economic objectives (Baderman and Law, 2006). Chell (2007) firmly links the existence of alternative enterprises to the creation of social capital rather than having economic goals and emphasises the importance of an ethos based on voluntary effort, ethical behaviour and social mission. Pearce (2003) endorses this emphasis on the primacy of social objectives. This perspective is illustrated by the approach of the Grameen Bank in Bangladesh. Contrary to conventional banks' overarching objective of maximising profit, the primary purpose of the Grameen Bank is to bring financial services to the poor, mainly women in rural areas. It exists for that purpose. Nonetheless, to survive, it must have a secondary purpose of remaining sustainable.

However other academics are of the view that in the current political economy the key issue is to ensure sustainability in that philanthropy is no longer able to provide sufficient resources to deliver social goals. They therefore see the generation of business activities accruing profits as a significant component of alternative enterprises as well as their objective of meeting social aims. Dees (2001) contradicts the first school of thought, in considering alternative enterprises to be hybrid firms that blend commercial and philanthropic approaches. Manning (2006) also takes this perspective and argues that successful alternative enterprises have adopted a commercial orientation while maintaining their social ethos. Johnson (2000) argues that these differences of emphasis demonstrate conflicting ideological perspectives containing divergent views of the roles of the public sector, third sector and hybrid organisations.

Organisations with social goals range from those dependent entirely on grants through hybrids to for-profit enterprises with a secondary social goal. One definition of an alternative enterprise will include organisations that another will exclude. To move the debate forward, it is necessary to consider a typology of organisations along a section of the continuum.

Paton (2006) argues that the changes in the last two or three decades with the emergence of green and ethical businesses, the growth of outsourcing and the retreat of the public sector from being directly involved in the provision of services, has led to growth of the voluntary sector. He has mapped organisations using the two dimensions of size, as a proxy for the degree of institutionalisation (complexity of structure), and primary purpose, which underpins the organisation's value system.

Figure 1: Paton's Framework



Source: (Paton, 2006: 3)

Paton's two dimensions illustrate that the issues faced by alternative enterprises and the strategies that they use to survive will depend not just on their primary purpose but also on the structure of the enterprise.

A further political economic change in many countries has been an emphasis on making public sector organisations less dependent on block funding by the use of start-up financing and targets intended to move them towards economic self reliance. One effect of these trends has been to make organisations which were once funding-dependent turn to a hybrid structure. As Paton points out, social entrepreneurs have had to develop into innovators and to change with circumstances.

2.5 Conclusion

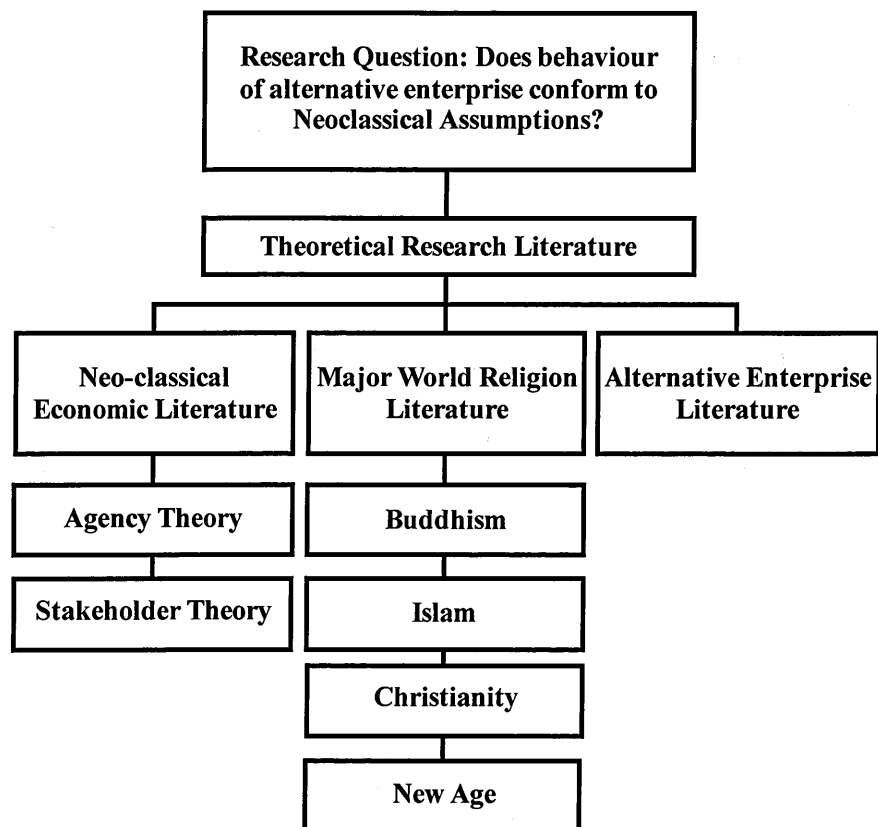
The considerable growth of alternative enterprises has occurred across many countries with various political economies and social priorities. No consistent definition of this diversity

of organisations has so far emerged in the literature, not least because of differing ideological perspectives as to the role of such enterprises and the feasible limits of public and philanthropic provision. The role of the state in promoting alternative enterprises and the continuing changes in the available legal structures further complicate the attempts of researchers to develop a unified theoretical definition. Nevertheless, this lack of consensus should not be allowed to deter continuing analysis.

Empirical studies supporting the literature on the behaviour of alternative enterprises have so far failed to provide a vision which could change business culture and help reconnect business back into society. In both empirical and theoretical domains the approaches taken by alternative enterprises in challenging capitalism are under-researched. The literature review draws on perspectives from neo-classical economics, major world religions and alternative enterprises (see Figure 2) to identify gaps and limitations. This study aimed to narrow those gaps and further our understanding by addressing the research questions identified in chapter one.

Using a critical realist framework the research studied approaches used by alternative enterprises that could be drawn out to help ground the dominant model of capitalism in wider social values. It therefore examined the operations strategies of organisations which combined social mission with financial sustainability as mapped by Paton, in order to determine if the behaviour of the alternative enterprises could be explained by neoclassical economic assumptions of profit maximisation, or whether these really were 'alternative' enterprises. As Slack et al. point out "Operations strategy concerns the pattern of strategic decisions and actions which set the role, objectives and activities of the operation" (Slack et al., 2004:67). The conclusions of the investigation should, it is hoped, provide social entrepreneurs (and business school academics) with greater understanding of the different approaches needed to re-ground business practice into society.

Figure 2: Literature concerning the thesis



Chapter 3 – Methods of Data Collection

3.0 Introduction

This chapter outlines the choice of epistemological and ontological stances. It then discusses the methods used for data collection, highlighting the ethical and political issues associated with them.

3.1 Research Approach and Rationale

The research was explanatory in nature, testing the fit of the behaviour of alternative organisations to neoclassical assumptions. It used a critical realist approach starting with the underlying structures and mechanisms of the dominant capitalist neo-classical model and its emphasis on profit maximisation as a theoretical framework to explain the behaviour of business enterprises.

Despite positivism having a central position within natural science research, it has been criticised by many social researchers for failing to take into account the complex and contextually variable nature of social reality (Blumer, 1969; Matza 1969). Even though positivists accept such criticism, they claim that useful knowledge can be obtained by seeking to understand causal relationships over larger samples than are feasible in social research using qualitative methods (Hammersley and Atkinson, 2007:7). Interpretivism on the other hand regards social reality as the outcome of processes by which social actors construct meanings for actions and situations (Crotty, 1998 and Easterby-Smith et al., 2008).

Like positivism (and unlike interpretivism), realism accepts the existence of an external reality but holds that the researcher's conceptualisation is only one way of understanding that reality (Bryman, 2008:14). However, 'empirical realism' has been criticised by Bhaskar for failing to recognise hidden structures impinging on observable social

phenomena. He therefore argues for critical realism which seeks to better understand reality by identifying the underlying generative mechanisms and conditioning structures behind events in the social world (Bhaskar, 1989:2). In his view observable events arise contingently, depending on the interaction of various structures, some with generative powers and others acting to encourage, discourage or shape the event.

Consistent with the critical realist approach the research drew out from existing literature a set of mechanisms which are key to the operations strategies and critical success factors of enterprises operating within the current capitalist (profit maximising) model. This theoretical position was then used to test the degree to which the behaviour of organisations driven by alternative conceptions of value were explained by such mechanisms. The research sought to determine whether the behaviour of alternative enterprises was really consistent with the assumptions of neo-classical economics concerning profit maximisation or whether it was fundamentally different from the existing capitalist model. The research also analysed differences in behaviour in order to develop understanding of any alternative mechanisms which impinged on such organisations.

The research focused on drawing out the ways in which alternative organisations differ from mainstream profit-maximising companies in values, operation, critical success factors and perceived purpose. They will also differ from each other in how they have pioneered new solutions to the challenges that they have faced. It was therefore essential that the research approach was sensitive to the perspective of each organisation rather than assuming a common view of their business context.

3.2 Research Design

The research design needed to be responsive to the differing realities in which alternative enterprises operate in the light of their specific missions and socio-political and market contexts. The multiple influences on each enterprise necessitated a nuanced and detailed understanding of the relationship between the context and the enterprise's response which

was provided by the use of case studies. Case study involves an empirical inquiry to examine phenomena within a 'real-life context' (Yin, 2003:13). According to Eisenhardt, case study is a research strategy which is most suitable to gain insights into dynamics present within an organisation (Eisenhardt, 1989). Furthermore, Halinen and Tornroos (2005) argue that the case study approach allows the researcher to investigate phenomena that are difficult to isolate from their context. Although Lee (1989) demonstrated limitations in statistical rather than theoretical generalisation from case studies, he defends the method as a useful and relevant research strategy. According to Yin (2003) single case studies are appropriate when the research subject is under-researched whilst multiple case studies are used when the objective of the research is to test or build a theory.

Drawing on the qualitative research tradition, the case study approach adopted in the research provided detailed investigation into phenomena taking place in a 'bounded context' (Miles and Huberman, 1994:25). The richness of the detailed processes influencing organisational behaviour would have been difficult to capture without the contextual picture provided by the case study approach. Given the nature of the research topic and context, the case study method was chosen to gain in-depth understanding of the multi-layered reality within operations strategies adopted by alternative enterprises. The selection of cases aimed to bring focus onto the role of these strategies in the creation of social value. The use of multiple cases in the research was expected to enhance understanding of the phenomena so allowing greater generalisation of the insights gained.

3.3 Methods

The research used semi-structured in-depth interviews for collecting data; they allowed the researcher to gain original insights from the participants and enabled the flexibility for further inquiry where responses needed clarification. A fully open-ended questionnaire could have led to confusion and diluted the nature of the inquiry, whilst adhering rigidly to a closed questionnaire could have limited the data enquiry process (Strauss and Corbin,

1990). A semi-structured questionnaire provided the basic structure for analysis (Lowe, 1992) while crucially also allowing the researcher to grasp both the participants' reality and why they saw reality as they saw it (Crotty, 1998).

Interviewing can be very demanding and requires skills to be able to cope with unexpected contingencies that arise during interview (Roulston et al, 2003). The researcher needed to be responsive to the participants' answers so that it was possible to follow up further issues and concepts. In particular, first time interviewers can be impinged by many issues like guarding against bias, difficulty asking follow up questions and losing control when things do not go as planned. Davies recommends a strategy to assist interviewers:

"Most important is to listen, then prompt and encourage when appropriate without 'leading', and to steer the discussion back on track if it appears to be heading down a less promising avenue" (Davies, 2000:91).

Middle to senior managers in alternative enterprises were identified and where possible the data was collected at the participant's workplace at a time agreed with the participant and following their consent.

3.4 Ethical Considerations

Some writers taking a Universalist stance argue that investigation of social phenomena should be carried out without breaking ethical precepts (Erikson, 1967; Dingwall, 1980), whilst others argue that it would be difficult to know about social reality unless some ethical rules are broken (Fielding, 1982). The most hotly debated area is on the issue of informed consent which entails that participants are informed about the research process and that they are entitled to refuse at any stage of the research (Peel, 2004). The other ethical concern is related to the issue of invasion of privacy. Hence, it is important to conduct the interview in a way that does not put participants in a vulnerable position.

The researcher ensured that the purpose of the research was explained to all participants before interview and their consent obtained for the use of the information provided in the interview. The researcher took reasonable precautions to prevent unauthorised disclosure of data. Electronic copies of data were password-protected and stored securely. Non-electronic data and unsecured interview recordings were kept locked away, accessible to the researcher only. All data other than the dissertation report will be securely destroyed once the research project has been completed and the dissertation has been formally approved.

The researcher will comply with the Open University's ethical guidelines (see Appendix 4: Research Project Information and Consent Form).

3.5 Conclusion

The research was explanatory in nature, using a critical realist approach to test the fit of the behaviour of alternative organisations to neoclassical assumptions. The research highlighted approaches taken by alternative enterprises to provide insights to future social entrepreneurs. The findings will also act as building blocks for further research to facilitate culture change within business practice.

The methods used were qualitative, centring on semi-structured interviews and case studies to allow a multi-layered understanding of the operations strategies adopted by alternative enterprises.

Chapter 4 – Collection and Analysis of Data

4.0 Introduction

This chapter outlines the methods and techniques used for collecting and analysing the data. Section 4.1 covers the approaches taken for primary and secondary data collection. Section 4.2 explains the approach to analysis.

4.1 Data Collection Process

The data corpus within case study research mainly comprises transcripts of interviews, downloadable background information from the enterprise website and archival material. In the current research the primary data was collected using semi-structured interviews with the senior managers of alternative enterprises. The interviews provided in-depth rich information about the complexities and challenges which alternative enterprises face which would have been difficult to capture using quantitative methods. The secondary data was collected from various sources consisting of company reports and websites.

4.1.1 Data Collection Using Semi-Structured Interviews

Interviews were conducted at the organisations' premises, except one which occurred outside the natural settings of the organisation. This enabled the researcher to develop rapport with the respondent which is probably easier to achieve in a face-to-face interview (Bryman, 2008). King and Horrocks (2010) assert that participants who do not feel physically comfortable and emotionally relaxed are less likely to give full, well developed answers. Easterby et al (2008) suggest that in one-off interviews it can be difficult to obtain trust as the respondents and the interviewer have not met before. One way of obtaining trust was by presenting the research to the respondent in a professional and enthusiastic way and conducting prior research about the company through their website. A written rationale and background information were provided to prospective respondents to

familiarise them with the research topic. Each interview on average lasted about an hour. Permission was requested from respondents for their participation in the research. The interview was recorded, with permission, to prevent distortion of respondent's answers. It also allowed the researcher to re-listen to the interview and gave an opportunity to go back to things that were missed during the interview. In addition, handwritten notes were jotted to support the transcriptions. Even though the semi-structured interviews allowed flexibility, they were also essential for defining key topic areas to guide the interview process. Although the interviewer sought to cover the pre-defined topic areas, the aim was to allow social reality to emerge during each interview.

Robson (2011) recommends the use of a pilot study before starting the main data collection, although flexible questionnaire design can allow piloting to take place during the main investigation. The current study was intended to act as a pilot for a larger scale investigation as part of doctoral research and it was considered impractical because of the small sample size and constrained timeframe to carry out pilot interviews beforehand. However, the use of semi-structured interviews was chosen partly to allow the participants to bring out issues which would have been missed in an unpiloted closed questionnaire. The researcher's interview technique aimed to elicit rich pertinent information by developing an encouraging ambiance and interactively responding to the participant, probing for further clarification if new issues emerged, but without leading. The prepared open questions provided structure to maintain the focus of the interview while allowing the participants to bring out the issues that they saw as most relevant.

4.1.2 Data Collection Using Documents

In addition to in-depth interviews, secondary data was collected from publicly available documents from the websites of the organisations. Secondary data sources provided a broader perspective to the research in investigation. Hammersley and Atkinson (2007, 124) argue that secondary data are good for comparative purposes but should be used with

caution. Reading the documents informed the researcher about the settings being studied and careful scrutiny of them helped build and stimulate analytic ideas.

4.2 Analysing the Data

Thematic analysis was considered most important for this research because it provided a systematic structure to the data analysis and helped wider understanding of the potential of issues dominating the research under investigation (Marks and Yardley, 2004). The transcripts of the interviews were thematically analysed, drawing on the six steps of Braun and Clark (2006). The next subsections detail and discuss the analysis at different stages as suggested by them.

4.2.1 Familiarisation with the Data

Braun and Clark (2006) have outlined the importance of ‘repeated reading’ and immersing oneself in the data in order to be familiar with the breadth and depth of the transcription content. Re-listening and re-reading was carried out a number of times. Salient points were highlighted and notes were made in order to capture meanings and patterns relevant to the programme’s processes and outcomes. Familiarisation with the data was an ongoing phase and strongest at the start of the analysis phase.

4.2.2 Generating Initial Codes

Categories to be coded were drawn from the theoretical framework of neoclassical assumptions against which the operational strategies of the cases were being tested. Use of the resultant coding scheme ensured that analysis of the transcriptions related rigorously to the planned testing and that the highlighted findings were pertinent.

4.2.3 Searching for Themes

The next stage of the analysis was to link the coded data into themes which captured the essence of the overall research question. In this way the data was related back to that

research question so the findings could be selected with reference to it rather than arising simply because data existed.

4.2.4 Reviewing for Themes

During this process, some themes were subsumed into others and some were separated to better encompass the coded extracts relevant to them. Additionally, subordinate subthemes were added to clarify and differentiate accurately. Thematic maps were produced to depict the organisation of coded data extracts and their corresponding master and subthemes. Thematic maps for each master theme showing corresponding subthemes have been provided in the Appendix 3.

4.2.5 Defining and Naming Themes

This phase involved naming and defining themes using phrases that would describe the concept of each theme clearly. The first order data was re-analysed to refine theme names to help make sense during analysis.

4.2.6 Producing the Report

This phase involved interpretation of the data. The coding format used is depicted in Table 1 overleaf, which illustrates the broad themes and coding categories used to provide analytical structure for interpreting interview data.

Table 1: Broad themes and coding formats

	Broad Theme	Code	Linkages to Research Questions
1	Firm Size	FRSIZE	1, 1.2, 1.3
2	Firm Type	FIRTYP	1, 1.2, 1.3
Operations Strategy			
3	Approach to Choice of Product	PROMIX	1, 1.1, 1.2, 1.3
4	Approach to Choice of Technology	TECH	1, 1.1, 1.2, 1.3
5	Approach to Competitive Strategy	COMSTR	1, 1.1, 1.2, 1.3
6	Approach to Employment Policy	EMPPOL	1, 1.1, 1.2, 1.3
7	Approach to Supply Chain Relationships	SUPREL	1, 1.1, 1.2, 1.3
8	Approach to Corporate Social Responsibility	CSR	1, 1.1, 1.2, 1.3
9	Approach to Profit and Sustainability	PROSUS	1, 1.1, 1.2, 1.3
Applying Neoclassical Assumptions			
10	Ex ante profit maximisation as primary objective	PROMAX	1, 1.1, 1.2, 1.3
11	Efficiency excludes equity	EFFEQU	1, 1.1, 1.2, 1.3
12	Social, Environmental Impact	SOCENV	1, 1.1, 1.2, 1.3

Themes 1 and 2 were used to test structures and mechanisms influencing the behaviour of alternative enterprises. Themes 3 to 9 denote aspects of operations strategy which were tested against neoclassical assumptions. Themes 10 to 12 relate to the neoclassical assumptions used in testing compliance by alternative enterprises.

4.3 Conclusion

Thematic analysis was the chosen method of analysis for this research. It allowed the researcher to systematically draw out how the data fell within themes. The themes, although initially drafted in the light of the research questions and existing literature, were modified and reframed as analysis proceeded (Hayes, 1997). The development of themes and the linking of significant data items to them allowed commonality and differences to emerge between the concepts, ideas, opinions and actions of various participants or indeed of the same participants in different contexts or over time. In this way the emergence of

patterns, or the lack of expected patterns, allowed multi-level interpretation by the researcher in the light of the context of the participants and developmentally structured indexing of the data.

Chapter 5 – Individual Case Findings and their Analysis

5.0 Introduction

This chapter provides a description and interpretation of the case findings from the interview transcripts of the five alternative enterprises. The five cases analysed are Co-operative Books, Spiritual Links, Crystal Power, Newtown Fair Trade Shop and Friends Cafe. For each case in turn the chapter considers key aspects of operations strategy with respect to maximisation of ex ante profit. Chapter 6 covers the overall evaluation of the cases in terms of neoclassical assumptions and summarises the findings across the cases as a whole.

5.1 Co-operative Books Case Report

Introduction & Mission

Co-operative Books is an independent book publisher, producing books with a radical approach for academics and general readers. The company is structured as a workers co-operative and is limited by guarantee rather than by shares. Its constitution allows profits to be distributed as member bonuses, re-invested in the company, or donated to good causes consistent with the development of the co-operative movement.

The interview was with the Director of Finance who summarised the mission as covering publishing impact, business sustainability and the use of Co-operative values to run the organisation. Clearly the mission contains a mixture of social commitment and status as a publisher making a profit in a competitive market.

Objectives

The mission is taken forward through an annual business plan formulated and agreed by the members of the workers co-operative. The plan contains formal aims, which are then focused into annual objectives. The objectives are specific and measurable but are

business oriented such as sales targets, title expansion, lead times and author events. Performance measurement focuses mainly on business objectives, using a set of key performance indicators and various measurement tools linking finance with the productivity of the publishing. The social and political impact of its publishing programme, however, is not measured in any systematic way.

The formal aims in the annual business plan cover all aspects of the mission, but the focus of performance measurement on business objectives concentrates on long and short term profitability. It is clear from the interview that the primary intention in this is to achieve sufficient profit to support the social mission. This is inconsistent with ex ante profit maximisation.

Approach to Choice of Product

Co-operative Books is different from conventional publishing companies in that the main decisions on whether to contract an author and publish are made by the workers co-operative as a whole, using an externally reviewed concept proposal by the relevant editor and a costed sales forecast. To be approved, a book must not only meet financial criteria but must also be consistent with the company's vision and values as well as fitting into editorial and other strategies. Provided that most titles were helping to sustain the company, the publication of a book which was inconsistent with the company's commitment to equity, diversity and progressive social change would be seen as damaging to the company's brand and more detrimental than the occasional financial under-performance. This could be seen as evidence of social mission taking priority and so would not be purely consistent with maximisation of ex ante profit. However, the brand of the company reflects the social mission and sales are seen as tied into the brand. Damage to the brand would affect sales as well as impeding the social mission. The concern for brand can therefore also be seen as consistent with ex ante profit maximisation. The

interpretation depends on the overall intention of the enterprise as is examined further in chapter 6.

Approach to Choice of Technology

Technology plays a big role in achieving production efficiency, helping reduce costs as well as allowing more effective methods of working and contributing to the impact of the publication. The company needs to keep up with changes introduced by other publishers, especially as each title needs creative innovation to make it stand out from competing publications. The expectations of customers, including potential authors, change in terms of both the book itself and interactivity through web sites and social media.

The use of technology to enhance efficiency and effectiveness is consistent with maximisation of ex ante profit.

Approach to Employment Policy

The company is small with a flat staff structure, leaving little opportunity for promotion. Combined with the Co-operative value base, this structure leads to the design of jobs with a high level of collaboration, team work and sharing, mixing operational tasks with managerial and strategic ones. The company uses a recruitment policy aimed at being non-discriminatory and is a signatory of the Publishing Equalities Charter. Its recruitment policy does not involve positive discrimination. The company has similar numbers of women and men among its 13 employees but only three are from ethnic minorities. With such small numbers it is not possible to assess whether that is significantly different from other publishing companies, which tend to have a larger proportion of female employees than many sectors. Co-operative's radical, internationalist mission and culture attracts a diverse group of employees from different nationalities and backgrounds.

Employment policy is strongly linked to the enterprise's structure as a workers co-operative. It is consistent with the principles of good employment practice widely found in both profit maximising organisations and those with primarily social objectives.

Approach to Supply Chain Relationships

The company outsources much of the production to freelance teams with specialist skills such as designing and copyediting with whom there are long-term relationships involving mutual trust and commitment. Relationships with printing companies similarly tend to be long-term with high levels of trust. Overall, their approach to others in the supply chain tends to be collaborative, even though the path to end users is complex. The industry as a whole has tried to tackle the inefficiencies arising from issues such as unsellable stock by approaches such as print on demand and the increasing use of electronic books.

While authors are clearly suppliers of texts, they seem to differ from the suppliers in other industries in that there is competition to attract them. One reason given for the need to keep up with technological change was that authors would be reluctant to enter into a contract with a publisher who seemed old fashioned and not sufficiently in tune with the expectations of readers. The shift in the publishing industry to the use of paper from sustainable sources has been influenced by the demands of authors.

The need for specialist skills has led to outsourcing of key aspects of production and the promotion of collaboration and trust in supply chain relationships, anticipating this development in many profit maximising enterprises. This approach is consistent with maximisation of ex ante profit but also shows some evidence of the prioritisation of social goals. In some situations, the two are not mutually exclusive.

Approach to Corporate Social Responsibility

Being small with very few staff the company would have to justify with care any initiatives that affect profitability in the short to medium term, so taking resources from core

activities. Nonetheless, there are issues in line with the company's mission where inaction would affect the brand image held by readers such as support for the Alliance of Radical Booksellers in the UK or campaigns against injustice to publishers or booksellers worldwide.

The company has long been involved with Book Aid International to supply books financed by royalties donated by authors. Other support of this kind is given from time to time.

As was seen with choice of product, brand protection is considered important but the integration of the social mission into the brand has created a complex reality which is examined further in chapter 6.

Approach to Competitive Strategy

Academic publishing has generally tended to have a collaborative culture with space in the market for books. In addition, small companies are better off keeping good relationships so they can keep in touch with information and best practice as well as being able to collaborate such as sharing exhibition space. Industry changes, such as the effect of large, online, discounting booksellers, are tending to change this now.

The current competitive approach can be seen to involve tacit collusion which is consistent with ex ante profit maximisation. Collaboration also fits with the social goals. Again it appears that, in this case, profitability and social mission are not in conflict.

Approach to Profit and Sustainability

The company is limited by guarantee so funds cannot be obtained through share issues. Development has taken place from re-invested profit so growth has been slow and incremental. The culture tends to be risk-averse. Funding through borrowing has been rare although its current five-year development plan for e-books is financed by a loan.

The company's readership is linked to its mission as a radical publisher committed to increasing awareness of international issues and promoting progressive social change. To some degree brand is therefore linked to social mission. This is apparent in the view referred to above that, when decisions are being made about publication of a book, the effect on brand of inconsistency with the company's value position would be seen as more damaging than some financial under-performance by a particular book. The social aspect of the mission has created the company's customer base and so is important for sustainability. This is in contrast to the general view that market pressures risk subverting social missions.

5.2 Spiritual Links Case Report

Introduction & Mission

Spiritual Links is a small retail shop in the centre of Glastonbury selling native American and New Age goods and providing healing and reading services. The current owners have been running the enterprise since 2003. The owners of the shop were drawn to Glastonbury having visited the place several times. They are both trained in various aspects of healing and were attracted to the magical feel of the place. Glastonbury is an international centre of alternative spirituality with a reputation for historical religious connections. The large number of visitors are attracted by the spiritual aura and the availability of related products and services within an appropriate ambiance.

The owner expressed the mission as:

- To support all spiritual practices;
- To support the craftspeople making the goods, in particular the tribes that they work with;
- To continue to make available beautiful artefacts;
- To hold this particular sacred space within Glastonbury.

Objective

Spiritual Links does not have explicitly written commercial objectives but it is clear that implicitly they are to support the mission. *“We are holding a sacred space in Glastonbury and ... we do not think ourselves as shop owners; we don’t think ourselves as business people. We don’t come from what is profit or loss this month or whatever.”*[owner of *Spiritual Links*]

The owner stressed the need for sustainability in order to be able to maintain the mission and also emphasised that the spiritual retail community must network with business groups such as the Chamber of Commerce as well as with government agencies in order to raise the profile of the community and increase awareness of its value in terms of trade and spiritual support. The primary intention of enterprise is to achieve their social mission subject to a satisfactory level of profit, suggesting inconsistency with ex ante profit maximisation. Given the strong customer base of the enterprise in the spiritual economy, their actions in support of the social mission may happen to also result in ex post profit maximisation since there may not be a conflict between the pursuit of the social mission and profitability. This issue is considered further in chapter 6.

Approach to Choice of Product

Spiritual Links’ products are both native American crafts and items related to New Age spirituality such as crystals, gemstones, sacred geometry, jewellery, meditative aids and goddesses. They provide reading and healing services both directly and by letting space to self-employed healers. The services support the spiritual mission and contribute to the ambiance in which the products are set. Product choice largely stems from the mission to support craftspeople and fair trade as well as to provide goods related to and enhancing spirituality and beauty. This is evidence of deviation from ex ante profit maximisation as the intention behind the choice of product is mainly social rather than to maximise shareholder wealth.

As a street-based retail shop, there is also a need for an awareness of what will sell in that context: to differentiate the products from those in other shops in the town; to maintain quality and integrity of source; but also to cater for people dropping in for small, low priced items which cannot be obtained from the organisation's usual sources.

Sourcing with integrity may increase the sellability of products in Glastonbury's spiritual economy resulting in ex post profit maximisation but the emphasis on support for craftspeople and paying them fairly signals social priority over profit indicating deviation from ex ante profit maximisation. This further suggests that profit maximising behaviour and priority to social mission may not be mutually exclusive.

Approach to Employment Policy

Turnover in Glastonbury is very seasonal, depending on summer visitors. Shops need to employ seasonal as well as permanent staff. The goods include high-end jewellery so it is important for staff to have understanding of the beauty of the goods. Experience of spiritual practice is an advantage as well as open-mindedness to the many different forms of practice. Recruitment to the small number of staff is therefore based on their having the appropriate skills. Spiritual Links attracts staff from various ethnic groups, nationalities, ages and genders in line with the organisation's non-discriminatory recruitment policy. Given the nature of their products, the employment policy of the firm would probably be the same whether their primary objective were social or profit maximising. Hence, it is impossible to determine whether or not their behaviour is consistent with the maximisation of ex ante profit.

Approach to Supply Chain Relationships

Spiritual Links tends to have long term secure relations with their suppliers. The owners stress a sense of connection with craftsmen and suppliers especially with native Americans in Mexico, valuing their culture and traditions and supporting fair wages. One risk of

being too closely tied to particular suppliers is that conditions change in the supplying country so the traditional crafts die out. New generations may prefer to seek work in towns or more lucrative forms of employment as has happened in some traditional textile crafts in India.

Other products, such as incense from India have to be obtained through intermediate suppliers who include fair wages in their mission statement. The evidence suggests that the enterprise's behaviour is inconsistent with ex ante profit maximisation.

Approach to Corporate Social Responsibility

Since the enterprise is a small high-street shop, it does not have a formal CSR policy like many major corporations. Nonetheless, in line with their mission they support indigenous native American craftspeople from whom their goods are sourced. In common with other enterprises in the local spiritual economy, they seek to help customers gain spiritual fulfilment. Hence there is evidence of social mission being given priority and this behaviour is inconsistent with ex ante profit maximisation.

Approach to Competitive Strategy

Many of the visitors come to Glastonbury because of the ambiance and the spiritual goods and services clustered in a small area around the High Street. There is little likelihood of head-on competition being successful. Individual shops therefore differentiate themselves by keeping to their own core product areas. Because of the close geographical and network relationships, overlaps are usually resolved by personal discussion and established practice within the close community, which recognises the need to pull together. A sense of belonging and respect for fellow traders helps businesses to survive. So does a belief in the value of the spiritual community rather than value lying just in profit. Individuals also need to work together to make the community more sustainable, such as through a community project to help people start their own businesses.

The Glastonbury spiritual providers are competing as a whole with other national and international venues rather than with shops in neighbouring towns. The community therefore needs to have a voice and raise its profile.

The approach to competition could be interpreted as tacit collusion consistent with ex ante profit maximisation. However, it could also be seen as co-operation motivated by social values. From the evidence it is impossible to determine which is the case.

Approach to Profitability and Sustainability

The enterprise must remain sustainable for its primary social objective to succeed. The owners see the enterprise as their life, their '*hungry child*' so they have been prepared to put the profit back into it, working seven days a week during the busy season. As for any small retail and service enterprise, business acumen and a sound feel of what will sell are essential. While the main emphasis is on high quality fairly traded goods and spiritual services, high street trading also needs small low-priced pick-up goods.

Despite one of their primary objectives being to support the craftspeople creating the goods that they sell, the owners of Spiritual Links are aware that changes in circumstances may lead to particular crafts no longer being available so a spread of products needed to be developed. They have also diversified by providing accommodation for visitors and rental space for self-employed healers. Within the spiritual setting, the right ambiance is essential, which comes in part from fellow feeling with customers. While local competition comes from other traders within the Glastonbury spiritual community, a sense of belonging to that community and a mutual respect for fellow traders helps them to survive. Profitability is sought to maintain the social mission and so is inconsistent with maximisation of ex ante profit.

5.3 Crystal Power Case Report

Introduction & Mission

Crystal Power is a small retail shop in the centre of Glastonbury selling jewellery for self-empowerment, healing and transformational experiences. Healing services and support are provided, concentrating on the combination of crystals and sound. The owner of the shop has over twenty years of experience in jewellery design and crystals.

The owner expressed his mission as *“that I can go to sleep in the evening with a clear conscience. You can write down a hundred mission statements but they are not real. What is real is what you actually feel inside of you; and how you actually put your integrity down and ground it into the earth.”*

This statement can be placed in context by the strong spiritual emphasis of his personal philosophy given on company web site.

Coming closer to the function of the business, the mission on the web page states:

- To promote the practical use of crystals for healing and transformation;
- To promote positive change on planet earth through crystals and sound.

Objectives

The owner emphasised survival in the current economic recession. However, the implicit objectives emerging from the interview continue to be to use the business to further the mission as already described.

Approach to Choice of Product

Designs are inspired by the Arthurian and Merlin legends. The products range through designer jewellery, healing tools, gemstones, wands, pendulums, symbolic jewellery and pocket sized angel figures with an emphasis on premium market, quality and integrity of source and service provision.

The owner takes the view that in a business there has to be profit to survive, yet the energy of the products is of central concern.

“The product has to be ethical, can be standing clear, otherwise it can not contribute to any healing of any person – because stones take on the energy of what is going around them.”

[Owner of Crystal Power]

If products are not ethically sourced or are promoted to customers without integrity, then a damaging energy is created around the business, impeding the owners' aim to give customers a positive benefit from the jewellery. Customers are aware that the products are not cheap but trust that they are well sourced with the right energy for that customer. The evidence suggests inconsistency with ex ante profit maximising behaviour and could be explained better in terms of behavioural theory as “satisfying behaviour” where the enterprise seeks satisfactory rather than maximum profits and pursues other goals (Cyert and March, 1992).

Approach to Technology

As a small street-based enterprise, it is not involved with more than basic technology and the approach is not material to the research.

Approach to Employment Policy

The two owners of the enterprise are the only staff so employment policy is not material.

Approach to Supply Chain Relationships

Relationships with suppliers tend to be long-term, sometimes stretching back twenty years. Minerals, crystals and gemstones are sourced from all over the world so the success of the business depends on the suppliers. Choice of supplier has to involve being able to source sellable goods with sufficient profit to survive, but mining is dominated by big businesses which tend to have destructive effects on people and the environment. Suppliers are

therefore chosen with a view to whether they are conscious of such issues. There is evidence of social goals taking priority over profits, indicating the behaviour of the enterprise is inconsistent with ex ante profit maximisation.

Approach to Competitive Strategy

The owner of Crystal Power shared the view found elsewhere within the Glastonbury spiritual providers' community that there is space for different providers to be creative in their own way without breaking integrity. There are many different types of success and the competition can remain healthy as long as people do not value success solely by the amount of profit they make. The competitive behaviour could be interpreted as 'co-operation' consistent with wider social values or 'collusion' consistent with ex ante profit maximisation. From the evidence it is not possible to determine which is the cause in this case.

Approach to Profit and Sustainability

The current owners have run the business for nearly two decades, remaining sustainable despite the pressures of the current economic recession. Achieving this is credited to flexibility and creativity combined with a hope for change in terms of people's awakening and redefining values. The operations strategy of the enterprise with respect to their relations to suppliers indicate support for social mission so is inconsistent with ex ante profit whereas it is indeterminate regarding their approach to competitive strategy. The pursuit of profit could be for sustainability in order to maintain the social mission or to maximise ex ante profit. This is considered further in chapter 6.

5.4 Newtown Fair Trade Shop Case Report

Introduction & Mission

Newtown Fair Trade is a retail shop in the centre of Newtown selling entirely Fair Trade goods. It has been operating since 1996 and is staffed by volunteers and has volunteer

directors. Newtown is an attractive market town and the shop is located near other small individual shops which attract visitors to that part of the town. The shop also has stalls that go out all over the county to schools and churches on a sale or return basis.

“Our mission is to fight poverty through trade, practising and promoting approaches to trade that help poor people in developing countries transform their lives.” (Traidcraft, 2013)

Objectives

To increase public awareness of fairly traded products and make them available for people to purchase.

Since staff and directors are volunteers and profits after running expenses go to the Traidcraft Exchange charity, there is no evidence of the maximisation of ex ante profits for the benefit of the owners, directors or staff. To the extent that profits are maximised, it is in support of the social mission.

Approach to Choice of Product

The shop sells jewellery, cards and gift items from around the world, as well as stocking other Fair Trade and organic goods with an emphasis on products which promote healthy living. All goods in the shop are obtained from suppliers who guarantee that they are Fair Traded.

The Newtown Fair Trade shop has strong links with ***Traidcraft***, the fair trade importer and ***Traidcraft Exchange*** linked charity that supports producers. Goods like tea and coffee are sourced from countries where the standard of living is not as good as in the UK, to give the producers a fair deal. The shop also stocks craft goods mainly from local craftsmen to support local economy and help maintain their skills. The evidence suggests that social goals take priority so is inconsistent with the maximisation of ex ante profit.

Approach to Supply Chain Relationships

The Newtown Fair Trade Shop's approach seeks to offer better trading conditions to marginalised producers and workers. The shop buys the majority of their stock from Traidcraft who are an importer of fair trade products. Traidcraft's relationships with suppliers tend to be long-term. The linked charitable organisation, Traidcraft Exchange, works with producers to help enhance skills and increase quality to suit the market. The shop's contribution is to buy goods imported by Traidcraft and to feed net profit from local sales back to Traidcraft Exchange, so they see their main supplier as a partner. The evidence strongly shows that social goals take priority over profit maximisation so is inconsistent with maximisation of ex ante profit.

Approach to Competitive Strategy

"We would like people to go into any shop and [for] the product they buy to be made or grown [by someone who] was paid fairly; and that is happening." [Volunteer Shop Supervisor of Newtown Fair Trade Shop]

Some of Traidcraft's suppliers are now able to sell to supermarkets because of the work of Traidcraft Exchange. That loss of trade to a competitor of Fair Trade shops is seen as a success for the Fair Trade movement.

In Newtown there are a number of small independent shops that see themselves as a group separate from the mainstream and so the Fair Trade Shop has participated in activities with other members of that group to attract customers collectively. In addition they have collaborated over Fair Trade awareness events with another fair trade shop in the town. They are competitors for customers but joint workers in the common cause. The evidence suggests inconsistency with ex ante profit maximisation.

Approach to Profit and Sustainability

The shop uses volunteers rather than paid staff so has lower costs but, as a trading business, still has to pay rates, rent and utility bills.

Although customers are likely to be attracted to the shop by the Fair Trade ethos, presentation in the shop window is still seen as important. To maintain sales, there is a constant need for new people to see that the products are good quality and so become regular customers. Yet it may be better for the Fair Trade shop to tell people to buy their fair trade coffee at the supermarket so it continues to stock it. Albeit, that perspective is possible because the shop's staff are volunteers who are not depending on the shop's profit for their food.

As mainstream retailers take up Fair Trade goods, there will be a need to ensure that standards are maintained. That is the role of the recognised certifying organisations such as the Fairtrade Foundation.

It is also necessary to keep on raising awareness among local politicians and potential customers. The outreach work with stalls that can travel round schools and churches are important for this.

The evidence shows efforts to maximise sales but since profits after running costs go to the Traidcraft Exchange charity, this is not consistent with the maximisation of ex ante profit for the benefit of the directors or volunteer staff.

5.5 Friends Cafe Case Report

Introduction & Mission

The cafe is a community interest company (CIC) which started trading in September 2012. It was set up by a speech language therapist and a special needs teacher as a bridge between college and an independent life for young people facing extra challenges because of their individual needs. The café provides volunteering, work experience placements and

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planned support for people with physical and learning disabilities or mental health issues in order to increase their skills and confidence. It had been open for six months at the time of the interview with one of the two founders.

The enterprise does not have a formal mission statement but the aims are to provide meaningful work experience and placements; to support individuals to develop personal and social skills; to provide information in accessible formats to enable individuals to be more independent; to provide a quality café experience for customers.

Objectives

The initial objective has been to set up the café and start to provide volunteering or work experience and planned support for young adults with learning difficulty. The founders would like the café to become established as a community café, able also to operate in local halls in rural areas. They are also working with the local authority and service providers for the café experience to be included in a more detailed programme. They hope to develop links with organisations which may be able to provide follow-on placements or employment. The objectives show evidence of inconsistency with the maximisation of ex ante profit.

Approach to Choice of Product

The cafe offers two different types of service, food and drinks for customers and work experience for young adults who have difficulties in communicating. The café does not primarily exist to provide meals to the public but to train the young people on food preparation, social interaction and taking customers' orders in pursuit of the main objective of providing work experience and familiarisation. The café provides a good environment for the young adults concerned to gradually develop confidence and skills in social interaction which others of their age would take for granted. Such skills will have a wider

application throughout life. The evidence suggests social goals taking priority so is inconsistent with maximisation of ex ante profit.

Approach to Supply Chain Relationships

Foodstuffs are obtained from local shops and stalls and where possible supporting other social enterprises. There is weak evidence of social goals taking priority over profit maximisation, so supply chain relationships can be seen to be partially consistent with maximisation of ex ante profit.

Approach to Choice of Technology

MyChoicePad and Makaton software for people with learning or communication difficulties are being used on an iPad to provide a touch-screen café menu for use by customers and people taking orders, turning a familiar educational technique into a practical workplace tool and at the same time helping to make the menu more accessible to customers. The evidence is therefore that technology is being used in direct support of the social mission to provide work experience for people with communication difficulties, so choice of technology is inconsistent with the maximisation of ex ante profit.

Approach to Employment Policy

In line with the social objectives of providing work experience and placements to young adults with learning difficulties, two pupils from the local specialist school are carrying out work experience placements and four are volunteering. The two founders help as volunteers while continuing their paid employment elsewhere. There is one employee who is experienced at running a café and supporting volunteers. This person is employed to facilitate the running of the cafe as a supportive venue for the work experience which is overwhelmingly why the cafe exists. There is therefore strong evidence that the employment policy is inconsistent with ex ante profit maximisation.

Approach to Competitive Strategy

There is limited competition to provide a quality experience in the cafe for customers. The founders do not have a conscious competitive strategy. If the enterprise grows, competition may become a significant factor. Meanwhile, just getting the new enterprise off the ground to support and develop a vulnerable group of people has been a huge task. To the extent that competitiveness is pursued, it is in order to contribute to sustainability in support of the social mission. The evidence suggests that the behaviour of the enterprise is inconsistent with ex ante profit maximisation.

Approach to Profit and Sustainability

Profits from the cafe are fed back into the enterprise. The disposal of assets is also restricted by the legal structure of the CIC. The founders of the café are seeking ways to be more financially sustainable through partnership with the local authority and existing service providers as well as through grant funding. It is also necessary for them to be aware of personal sustainability, the limits of what can be achieved in addition to their separate paid employment. Profit and sustainability are sought solely to maintain the social mission so the evidence is not consistent with the maximisation of ex ante profit.

5.6 Conclusion

For the publishing company and both enterprises in Glastonbury spiritual economy many activities within each theme could be seen as consistent with the maximisation of ex ante profit, but that does not mean that they were necessarily consistent, as they could also be interpreted as consistent with wider social values, given the context. As far as the Fair Trade Shop is concerned, any profit after the payment of running costs is used for the social mission. For the cafe profit is a very minor part of the operation of the enterprise, which exists for its social mission. For all five cases studied, the interaction between the social mission and the need for financial sustainability suggests that the reality for these

enterprises was multi-dimensional with an interplay of causal mechanisms and contingent structures. In order to better understand the overall balance of operations strategies in relation to neoclassical assumptions, each enterprise now needs to be considered as a whole using the three criteria listed at the start of chapter 6.

Chapter 6 - Overall Evaluation of Cases and Conclusion

6.0 Introduction

This chapter evaluates for each case whether the strategic intent of the enterprise as a whole was to maximise its long-term ex ante profit in line with neoclassical economic assumptions. The findings in relation to the research objectives and questions are summarised across all the cases. Significant contributions to research made by this study are outlined. The limitations of the research are identified and suggestions made for future research.

The chapter builds on the analysis in chapter 5 which considered consistency with the maximisation of ex ante profit on a theme by theme basis. Chapter 5 concluded that in many cases consistency of a particular behaviour with maximisation of ex ante profit did not prevent it from also being consistent with social goals. Either could be the driver of the behaviour. The complex interaction within operations strategies between social objectives and financial sustainability required analysis of the strategic intention of each enterprise as a whole using three criteria as markers of adherence to a neoclassical approach.

The criteria used are as follows:

1. The primary objective of the enterprise is ex ante profit-maximisation (even though almost all enterprises have secondary objectives, some of which may not be directly related to profit maximisation).
2. The concept of efficiency used by the enterprise excludes matters of equity.
3. Social or environmental impact is considered only in terms of profit maximisation.

It can of course be argued that no enterprise exactly and entirely behaves in these ways. The evaluation will take into account the degree of compliance and the overall balance of the enterprise's behaviour. For example, ex ante profit maximisation may clearly

predominate over any other objectives. On the other hand, the primary objective may be social but its achievement may be compromised by market forces, leading to mission creep. Thirdly, the primary objective may remain intact but some profit is needed for sustainability.

6.1 Evaluation of Conformity to Neoclassical Assumptions

6.1.1 Co-operative Books Case

Although the firm is subject to substantial competition like any other publisher operating within a capitalist market, the interaction between social mission and financial survival creates a variety of creative and conditioning factors which determine contingently how operations strategy develops in this enterprise. An example of this is that human decisions in the past on what titles to publish, arising from the social mission, have created a structure, a brand image linked to profitability, so constraining subsequent decisions. As a result, on this point the market is acting in support of the social mission, rather than encouraging mission creep.

The social mission and the co-operative value base are both likely to influence decisions with regard to applying for a job with the enterprise, appointment and job design. They will also affect staff retention, motivation and the will to succeed. Success is culturally defined in the enterprise in terms of equity and wider social and environmental values as well as production efficiency. Equity and social or environmental impact are strong drivers within the culture of the enterprise. It was clear in the interview that the organisation existed to fulfil its social mission and would be unlikely to switch to an incompatible niche in publishing for the sake of greater profit. Making some degree of profit in a competitive market is a necessity for the enterprise and a welcome outcome; but the evidence clearly shows that the overall primary objective of the enterprise is social and would continue to be social even if profit were to ensue ex post. Neoclassical assumptions are inadequate to explain the behaviour of the enterprise.

6.1.2 Spiritual Links Case

The enterprise has a social mission but is operating within a competitive market in which some customers are sympathetic to that mission. The attitude to competition stems partly from the need in a small community to differentiate the enterprise from competitors and partly from the restraint within the spiritual culture. Both reasons help Spiritual Links to remain sustainable and so be able to support their social mission. This emphasis on ex ante profit for sustainability, rather than profit for its own sake, is supported by the evidence throughout the interview in which the owner strongly emphasised the personal significance of the social mission and its influence on operational strategy. Hence the strategic behaviour of the enterprise is subjectively evaluated as consistent with a primary goal of support for the social mission rather than maximisation of ex ante profit.

Overall the behaviour of the firm is influenced by market forces, but the social mission and the culture of the spiritual economy in Glastonbury create a more complex set of causal and contingent factors than neoclassical theory allows for. The interview with the owner showed a clear emphasis on equity and social impact. The owners' initial and continuing involvement in the enterprise stems strongly from their attraction to the spiritual aspect of the market in which they operate and its collaborative approach emphasising values other than profit. Profit is a necessity and part of the reward for the work put into the enterprise, but the priority given to the non-profit aspects of the enterprise suggests that the overall intention of the enterprise is not consistent with neoclassical assumptions, but rather is at most the pursuit of satisfactory profits (Cyert and March, 1992) within a primary social goal.

6.1.3 Crystal Power Case

At one level the common spiritual values of provider and customer do create a market exchange which balances the utility of both. Yet previous human decisions which have created the Glastonbury spiritual economy have become structures providing multiple

generative mechanisms and contingent factors which condition how the provider-consumer interaction occurs. Not least of these is a common value system which gives particular emphasis to equity and social or environmental values. Hence, in a similar way to the previous case, the interaction of the personal social mission of the owner with the spiritual economy in Glastonbury creates a more complex situation than can be explained by neoclassical theory alone.

Product choice and supplier relationships must be based in what will sell with some profit, but are strongly conditioned by the owner's spiritual stance. The approach to competition depends on the local spiritual economy as discussed for the previous case. Sustainability is fundamental, not just to survive financially, but also to maintain the social mission. Overall the primary objective of the enterprise is to achieve the social mission. For that profit is necessary for sustainability but the behaviour of the enterprise does not conform to ex ante profit maximisation. The full picture needs a more nuanced, multidimensional explanation in which the need to be profitable cannot be ignored, but where the social mission is a strong creative and conditioning force. Both cases in the Glastonbury spiritual economy show that ambiance is a trading necessity (as it is for many profit-maximising firms). However, they also confirm the points raised by Redden, mentioned in chapter 2, that New Age networks are of producers and consumers and that much New Age commerce is value-driven; as well as Bowman's view that in Glastonbury providers are often also spiritual consumers, not just detached suppliers. Neoclassical assumptions are an inadequate explanation of these enterprises.

6.1.4 Newtown Fair Trade Shop Case

The shop is a link in the chain of fair trade with profits after payment of operating costs being donated to Traidcraft Exchange. Business activity occurs such as creating ambiance, good will, attracting customers by the window display and making sales, which would be expected from neoclassical assumptions about a profit-maximising enterprise. However, to

the extent that profit is maximised, it is in furtherance of the wider social mission of fair trade rather than benefit to the owner. A major aspect of the shop's trading is to encourage consumers to buy fair trade goods, not just in this shop but generally. Equity and social or environmental issues are integral to that. Neoclassical assumptions regarding profit maximisation therefore do not explain the shop's existence or its behaviour, which are based in the Christian values of Traidcraft as well as secular belief in fair trade.

6.1.5 Friends Cafe Case

The enterprise has an aspirational goal of providing a quality café experience but the reason for its existence is solely pursuit of the social mission. It may be that in the future the enterprise will have to compete for providing the service against companies aiming to maximise profit by providing outsourced public services. At that point the enterprise's behaviour may have to change in ways that could be weakly explained by neoclassical theory, such as reduction in richness of service in order to remain financially sustainable. Even then the dominance of the social mission would create a context which neoclassical assumptions could not adequately explain, as is illustrated by the employment of young people with communication difficulties and the use of technology to support that.

6.2 Summary Across Cases

All the five cases studied engage in trading goods or services at a profit but have a primary objective which is social. It is this social objective rather than ex ante profit-maximisation which is the predominant driver of their operational behaviour, even where profit is an essential aspect of the enterprise. The publishing company, the two street-based enterprises within Glastonbury's spiritual economy and the fair trade shop all depend on trade to remain sustainable, but the need for financial sustainability links strongly to maintenance of the primary social objective. Equity and social or environmental impact is central to their operations strategies. Financial return to the owners is not prioritised over the social objective. In the fifth case examined, the café trading provides a context for the Vandana

social objective but is not a major financial driver. Sustainability is being sought through other forms of financial support.

Hence on none of the three criteria outlined above can the operations strategies of the five cases be adequately explained by neoclassical assumptions. Arguably certain aspects of the enterprises' behaviour can be explained in this way, sometimes quite powerfully. Yet once the underlying causal mechanisms and contingencies are examined in terms of the interaction between the primacy of the social objectives and the need for sustainability, it becomes clear that the visible events derive from more complex, multi-causal and contingent factors than neoclassicism allows for.

The complexity centres on how human beings make operational decisions within a context which arises partly internally, from their own mindset, experience, hunches, and partly from external factors such as government regulation, tax and customers' mindsets. Earlier decisions can develop into structures just as the publishing company's book decisions developed into a brand and in Glastonbury individual approaches to competition became accepted practices. In all the cases examined, social objectives were central both to current decisions and to past ones now structuralised.

Chapter two referred to Paton's mapping of organisations by size and primary purpose. In the light of the analysis the five cases can be seen to be hybrid, having a mixture of objectives (goals), mapping onto Paton's axes as shown below. However, the primary objective in each case was social.

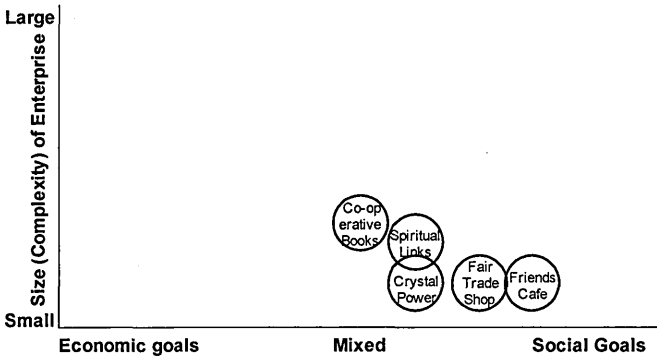


Figure 3 – Application of Paton's framework

Indeed the five cases were selected because these organisations professed to be alternative enterprises giving priority to social objectives and this is what was being tested. This allowed the research to investigate whether the operations strategies could be explained by neoclassical profit-maximising assumptions. Chapter two refers to the debate in the literature between commentators such as Chell who emphasise the creation of social capital when discussing alternative enterprises, and those such as Dees and Manning who stress the blending of commercial orientation with a social ethos. The findings made clear that profit for sustainability could be pursued without compromising the social objectives, at least for the types of social missions investigated, giving support to the approach taken by Dees and by Manning. The blending of the commercial and the social led to a complex interaction: the need for sustainability conditioned the operations strategies, but the social mission also clearly shaped what was profitable. That was possible because in all five cases trading could be aligned with the enterprise's primary social objective such as publishing to promote a particular understanding or retailing within the Glastonbury spiritual economy. That is not likely to be true of all social missions.

Neoclassical theory is inadequate to explain the behaviour of the enterprises in the five cases examined, partly because of the complexity of the interaction between the social missions and the markets in which the enterprises operated; and partly because of the way in which the people who make operational decisions are influenced by internal and external structures as mentioned earlier in this section. The cases illustrated the need for profit for sustainability in order to continue to pursue the social mission, but showed, at least for enterprises of this type, that the social mission could still be maintained.

6.3 Contribution to Research

The research has made a significant contribution to knowledge by providing new insights into the role of alternative enterprises in re-grounding business practice within wider social values and in reconceptualising business values to take greater account of the role of

business as an integral part of society. The research has demonstrated the ways in which these enterprises are able to remain sustainable in competitive markets while still giving primacy to social and environmentally friendly objectives. It has therefore begun the task of building legitimacy for changes in business practice. In clarifying the ways in which human decision-makers act within a changing personal and cultural context, and how social mission and the need for profit can successfully interact, this study has provided insights for social entrepreneurs to continue that journey.

Furthermore, the research has extended the scale and scope of previous studies on alternative enterprises by examining the interaction between sustainability and the pursuit of social objectives. It has highlighted the challenges arising from that interaction; and the solutions found by the enterprises to remain sustainable without compromising their social mission. The use of a critical-realist framework has allowed the research to analyse how key actors within the enterprises develop and carry through their operations strategies, making decisions that are conditioned not only by concrete factors but also by past human decisions which have developed cultural power over time. It is seen that the competitive context can sometimes be moulded by the social objectives. The framework is therefore a powerful tool for making clear the complexity of the forces behind the visible events.

6.4 Limitations of the Research

The research was conducted as part of a one year Masters in Research degree programme so its scope was necessarily limited. The findings have begun to draw out the issues faced by hybrid enterprises operating with a social mission in competitive markets, and their responses. However, time restraints limited the research to five cases, all in the UK, so care is needed with any generalisations, particularly for enterprises operating in other socio-economic and regulatory climates. The research would have benefited from analysis of a wider spectrum of alternative enterprises operating within Europe and Asia. This

would have enhanced the validity of the findings, allowing the researcher to examine in depth a wider range of the issues and challenges within which they operate.

All case studies involved small sized enterprises and the primary objective was clearly social rather than profit-maximising. Different behaviours would be likely to emerge in large enterprises with more complex organisations or where the primary objective is more difficult to ascertain.

For the reasons detailed in section 2 of chapter 1 the study sought to analyse the strategic intentions of the enterprises in order to test consistency with maximisation of long-term ex ante profit within the short timeframe available for the research. While evidence of intent could be induced from mission statements and the approaches taken to suppliers, competition etc, a large part of the evidence inevitably consisted of the interviewees own descriptions of their intent. The use of semi-structured interviews allowed the researcher to probe the participants' responses, but ultimately the evaluation of intent had to depend to a considerable degree on the words of the interviewees with only limited opportunity for triangulation via other sources.

6.5 Future Research

There is a need to investigate enterprises across a wider range of countries to determine local cultural and socio-political effects; to explore the underlying structures acting to encourage, deter and shape the organisational strategies of alternative enterprises in terms of the norms and institutional expectations within those cultures, the political climates, the regulatory frameworks and economic circumstances.

Secondly, future research should extend the selection of cases to include enterprises which are organisationally more complex, where the social mission is more diffuse and decision making is spread among a variety of people with possibly different value bases.

Once this wider selection of cases has allowed the development of a better understanding of the approaches used by alternative enterprises, the challenges they face and the conditioning structures, it would be valuable to triangulate these findings by the use of a quantitative survey over a larger sample in order to increase their generalisability and test for interrelationships between variables.

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Appendix 1: Ownership models and legal forms

1. Mutuals

“The distinguishing characteristic of a mutual is that the organisation is owned by, and run for, the benefit of its members, who are actively and directly involved in the business – whether its employees, suppliers, or the community or consumers it serves – rather than being owned and controlled by outside investors.” (BIS, 2011)

‘Mutual’ is an umbrella term encompassing many different types of organisation including co-operatives. It is often used to distinguish an organisation controlled by its members from one which is controlled by outside investors, but the term is impossible to define precisely as even the shareholders of a publicly listed company are technically the members of the company and partners in a business run it for their benefit (BIS, 2011).

The term is used, particularly for mutuals which do not fall under some other category, but is too loose to be a rigorous category for analysis. It is more useful to consider categories within mutuals such as co-operatives, credit unions and employee-ownership.

2. Co-operatives

The term co-operatives is generally taken to refer to organisations operating within the spirit of the co-operative movement as represented by the International Co-operative Association (ICA). Co-operatives in general do not have to have a specific legal form, although ‘bona fide co-operatives’ and ‘community benefit societies’ use the industrial and provident society legal structure. Others use the company legal structure or may adopt a legal structure such as the community interest company (CIC).

The ICA defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. ... Co-operatives are

based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.” (ICA, 2013)

Seven co-operative principles act as guidelines for putting values into practice: voluntary and open membership; democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives, and concern for community.

Co-operatives mostly fall into four different types or combinations of them: worker co-operatives, consumer co-operatives, producer co-operatives and community co-operatives (whose members are from a local community or people with a common interest). (BIS, 2011)

Many co-operatives have primary social objectives and reinvest most of their profits for those objectives, so could be considered to be social enterprises (BIS, 2011). Others use a co-operative ownership structure and value base but their primary objective is to maximise profit.

3. Employee Ownership

Employee ownership schemes are used by a wide range of companies so that staff own shares in the company, either directly or indirectly through a trust (BIS 2011). John Lewis, for instance, is employee owned while operating with profit-maximising objectives.

Worker co-operatives, considered below, can also effectively be considered as being in employee ownership.

4. Other Non-Profit Organisations

There are many non-profit organisations with social objectives but not adopting the co-operative model. Where funding is by grants from government or philanthropic

organisations, funds are spent on pursuit of the objectives, including employing staff for that purpose. Some have a linked trading organisation to raise funds for the objectives. The management and control structure depends on the size of the organisation, ranging from a few volunteer board members to full-time paid organisational staff within a bureaucratic support function.

5. Outsourcing Public Objectives to Enterprises Primarily For-Profit

The trend to outsource activities formerly carried out within government bodies has led to these activities being carried out under contract to government by both non-profit and for-profit enterprises. Often companies carry out such contracts primarily to maximise profit from them, such as running prisons or re-employment schemes. These fall outside the meaning of alternative enterprise used in this document.

Non-profit organisations using this form of government funding come within the ownership structures mentioned earlier.

6. Legal Forms of Alternative Organisations

Small groups of people pursuing social objectives are not required to create a legal form, but once finance such as grants is sought and staff are employed, some form of incorporation is appropriate, that is, creating a legal entity in order to be financially and fiscally answerable, to commit to the grant requirements and to protect board members and staff from liability beyond their personal means.

7. Companies limited by guarantee

Creating a company limited by guarantee is one form of incorporation. The limit by guarantee prevents board members from being liable in most cases for the organisation's debts beyond a token amount. Objectives and procedures are laid out in the articles of the company. Certain actions are required under company law such as the submission of accounts to Companies House (Co-operatives UK, 2009).

8. Community Interest Companies (CICs)

The CIC is a new legal form, which came into force in 2005. It is designed for organisations wishing to pursue social objectives and to use their profits for the public good but not able or wishing to become a charity. CICs are limited companies so are subject to company law. They differ from other forms of company (such as companies limited by guarantee) in that they have an asset lock: their assets cannot be distributed to members but must be used for the benefit of the community or passed to a specific CIC or charity. Secondly, they must satisfy the CIC regulator that their purposes are in the community or public interest. (Co-operatives UK, 2009; CIC Association, 2013)

9. Industrial and Provident Societies

Industrial and Provident Societies must be registered under the Industrial and Provident Societies Acts, which means that they must be carrying on an industry business or trade and must be either ‘bona fide co-operatives’ (a term defined in the Acts which is narrower than the term ‘co-operatives’ used elsewhere in this report) and ‘societies for the benefit of the community’, often referred to as BenComms.

The ‘bona fide co-operative’ legal form is mainly used by consumer and housing co-operatives and credit unions and requires one member one vote, limited return on capital, an equitable formula for sharing profits and no unreasonable membership restrictions.

The BenComm legal form is similar to co-operatives but includes a requirement to primarily benefit people other than its members. It is common among housing associations and voluntary organisations which do not distribute profits but want to use a democratic structure (Co-operatives UK, 2009).

10. Charitable Status

In the UK some organisations also seek charitable status for tax reasons and to provide access to additional grant funding and donations. This is possible only where their social

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objectives come within the limits allowed in charity law. Up to now, becoming a charity has not replaced the existing legal form of the organisation, but added a legal status which requires the organisation to operate within charity law and gives certain oversight powers to the Charity Commission and the Office of the Scottish Charity Regulator (Co-operatives UK, 2009). However a new legal form, the Charitable Incorporated Organisation (CIO) was created by the Charity Act 2006. It is intended that existing charities will be able to convert to a CIO, but this process is only just being implemented (Charities Commission, 2013).

Appendix 2: Interview Questions

Q1. What is your mission statement?

Q2. What are your objectives? Specify your long-term and short-term objectives. How do you measure the extent to which these objectives are achieved?

Q3. What are your products and services and how do you decide which product or service to offer? To what extent are these decisions made in terms of enhancing social value rather than maximising profit?

Q4. What influences your organisation's choice of technology? To what extent does job design emphasise human development and creativity rather than increasing production efficiency ?

Q5. How do you design your supply chain operations? Does management of the supply chain give ethical criteria priority over optimal operational and economic efficiency?

Q6. To what extent does your employment policy show consideration of providing jobs to people from disadvantaged groups in the society? (for instance people with a disability, people from minority ethnic backgrounds, women in higher age groups)

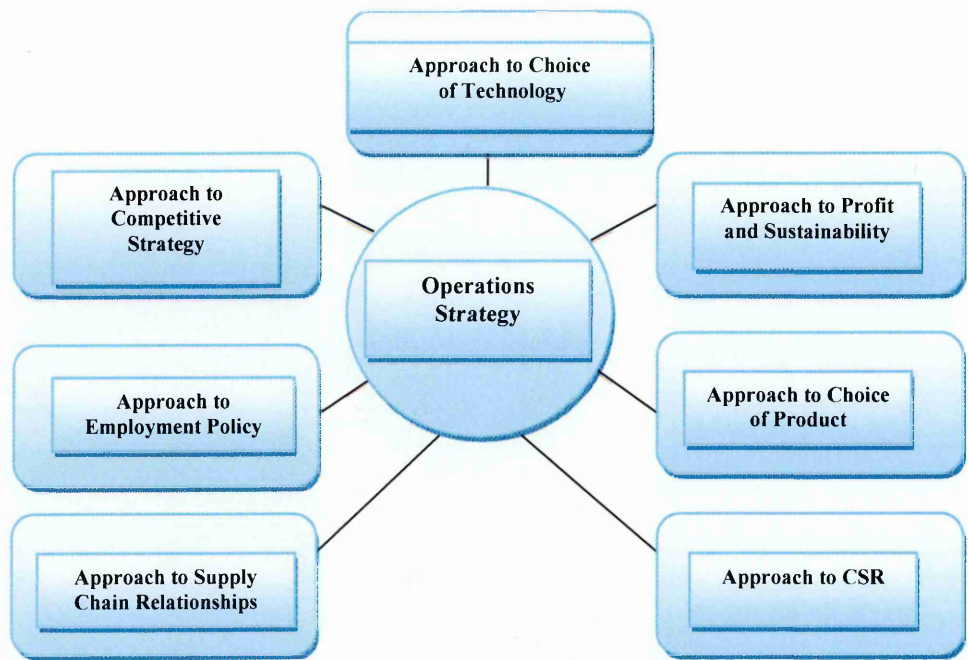
Q7. To what extent can alternative enterprises pursue broader in-depth CSR (Corporate Social Responsibility) policies? Do you see yourself as more active in this area than profit maximising firms? Can you give an example?

Q8. How would you consider your relationships with your competitors? (Are they friendly, confrontational or co-operative?)

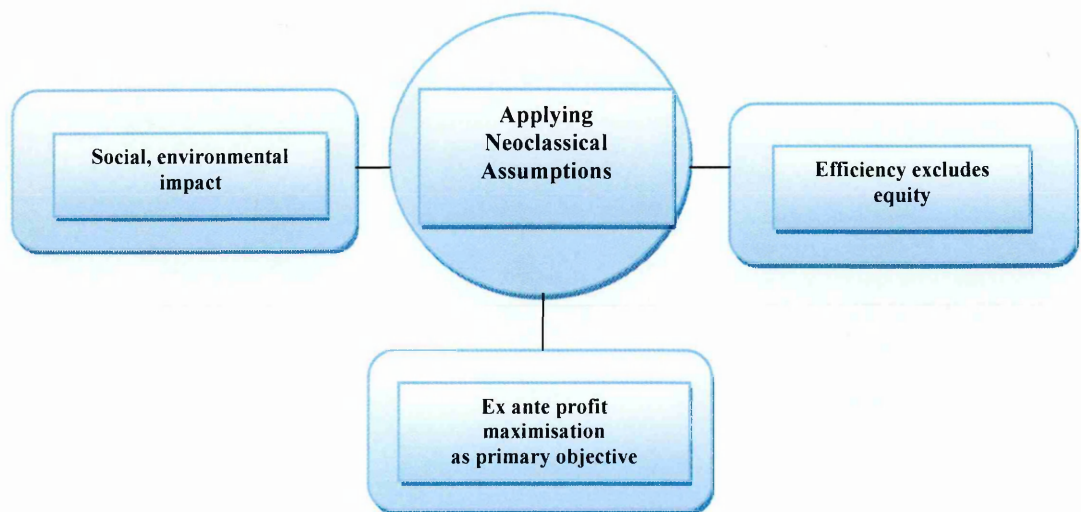
Q9. How is your organisation financed? How do you remain sustainable? (Is it by support from philanthropic investors or solely by reinvesting surplus profit in the business?)

Appendix 3 : Thematic Maps

Applying to Operations Strategy



Applying Neoclassical Assumptions



Appendix 4: Research Project Information and Consent Form



**The Open
University**

Business School

Project Title

Reconceptualising value: Defining, measuring and managing social value creation by business enterprises.

Name of the Researcher

Vandana Tripathi – Master of Research Student- The Open University, UK.

Purpose of the Research

The research is solely for academic purposes as part of the dissertation for MRes. The separation of modern capitalism from a moral core has led to emphasis on short-term profit-maximisation with little regard to social goals, which has increasingly caused a loss of legitimacy. The research will seek to examine alternative business enterprises to determine to what degree they are able to operate within a wider value base and what operations strategies they use to surmount the problems that arise.

The research will be based on case studies of alternative business enterprises, involving semi-structured interviews with personnel in various posts in the enterprises and reference to company documents.

Duration of the Interview

Semi-structured interviews will be carried out in the settings of the participants lasting on average 45 minutes to an hour.

Benefits to the Participants

Research participants will be provided with a copy of the research report. It is hoped that this will provide information on approaches taken by other social enterprises within the area of the research.

Risks to the Participants

The interview will cover solely the business strategies of the organisation and research participants will not be subjected to any psychological or physical risk. Potentially negative information damaging participants reputation at the work place will not be published.

Confidentiality and Data Protection

The purpose of the research will be explained to all participants before interview and their consent obtained for the use of information provided in the interview. Any information for which consent is not given will not be used. The names of participants and other personal information will be kept confidential and not disclosed. The names of participating organisations will similarly be protected unless consent is given for disclosure. Other information obtained from participants will not be disclosed except in the dissertation report (including any journal article or academic presentation), to OU staff or their agents for the purpose of supervision, examination or advice, or if required by law. The information will not be used for any other purpose.

The researcher will take reasonable precautions to prevent unauthorised disclosure of data. Electronic copies of data will be password-protected and stored securely. Non-electronic data and unsecured interview recordings will be kept locked away, accessible to the researcher only. All data other than the dissertation report will be securely destroyed once the research project has been completed and the dissertation has been formally approved.



The researcher will comply with the provisions of the Data Protection and Freedom of Information Acts, the Open University's Code Of Practice for Research and Those Conducting Research, the Ethics Principles for Research involving Human Participants and the Economic and Social Research Council's Framework for Research Ethics regarding confidentiality and data protection.

Costs and Compensation

The research project is fully funded by The Open University, being part of an MRes dissertation. The research participants will not bear any cost and will be interviewed in their organisational settings.

Voluntary Nature of Participation

The participants will be informed of the right to decline the interview and to withdraw at any stage during the interview and up until the final results are compiled.

Contact Details

Please feel free to contact me or my supervisors at The Open University for further details.

Vandana Tripathi (Researcher)

T: UK 01902 343955 E: vandana.tripathi@open.ac.uk

Dr. Michael Lucas (Lead Supervisor) E: Michael.Lucas@open.ac.uk

T: UK 01908(6)59168

Dr. Marion Bowman (second supervisor) E: Marion.Bowman@open.ac.uk

T: UK 01908(6)59381

Reconceptualising Value: Defining, measuring and managing social value creation by business enterprises.

Consent to participate in this research project

Name of Participant: _____ Name of Researcher: **Vandana Tripathi**

I consent to participate in this project. I have been given a written description of the project as above, which has been explained to me.

I understand that my participation will involve an interview and agree that the researcher may use the results as described in the statement above.

The possible effects of participating in this research have been explained to my satisfaction. I understand that I may withdraw from the project at any time and withdraw any unprocessed data that I have provided.

I understand that the project is for research and that the confidentiality of the information that I provide will be safeguarded subject to any legal requirements. My real name will not be used. I also understand that the data generated will be stored securely at the Open University and destroyed once the research project is complete.

I consent to this interview being recorded..... ☐ Yes ☐ No

I wish to receive a copy of the summary project report on the research findings ☐ Yes ☐ No

Participant's signature: _____ Date: _____